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August 17, 2004

VIA HAND DELIVERY

Vance Broemel
Tim Phillips
Assistant Attorney General
Office of Attorney General
Consumer Advocate and Protection Division
2nd Floor
425 5th Avenue North
Nashville, TN 37243-0491

Re: Petition of Chattanooga Gas Company for Approval of Adjustment
of its Rates and Charges and Revised Tariff
Docket Number 04-00034
Supplemental Response to CAPD Discovery Request No. 15

Dear Vance and Tim,

Enclosed you will find Chattanooga Gas Company's Supplemental Response
to Discovery Request Number 15 of the Consumer Advocate and Protection
Division.

Sincerely,



D. Billye Sanders
Attorney for Chattanooga Gas
Company

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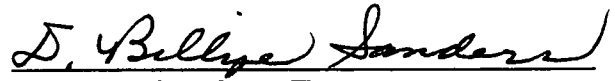
cc: Tennessee Regulatory Authority
Parties of Record
Archie Hickerson
Elizabeth Wade, Esq.
John Ebert, Esq.
Steve Lindsey

August 17, 2004

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CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of August 2004, a true and correct copy of the foregoing document was delivered by hand delivery, email, facsimile or U.S. mail postage prepaid to the other Counsel of Record listed below.


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DISCOVERY REQUEST NO. 15:

Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness:

- (F) identify all documents or things shown to, delivered to, received from, relied upon, or prepared by any expert witness, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that expert for review in connection with testimony and opinions; and

Supplemental Response:

See attached copy of Regulatory Focus, published by Regulatory Research Associates, Inc., July 8, 2004, referenced by Dr Morin.

Regulatory Study
July 8, 2004**MAJOR RATE CASE DECISIONS--JANUARY-JUNE 2004**

For the first six months of 2004, the average electric equity return authorization by state commissions was 10.63% (eight determinations), down modestly from the 10.97% average in calendar-2003. The average gas equity return authorization for the first two quarters of 2004 was 10.84% (seven determinations), down slightly from the 10.99% average in calendar-2003. During the first half of 2004, there was one telecommunications equity return authorization, 10%.

In recent years there have been relatively few equity return determinations. The reasons include: industry restructuring/intensifying competition; more efficient utility operations; technological improvements; relatively low inflation and interest rates; accelerated depreciation/amortization programs; the increased utilization of "black box" settlements; and, the use of performance, or price-based, regulation. As the number of equity return determinations has declined, the average authorized return now has less of a relationship to the return that the typical electric, gas, or telecommunications company has an opportunity to earn. In addition, electric industry restructuring in many states has led to the unbundling of rates, with commissions authorizing return and revenue requirement parameters for distribution operations only, thus complicating data comparability. The tables included in this study are extensions of those contained in the January 22, 2004 Regulatory Study entitled *Major Rate Case Decisions--January 2002-December 2003--Supplemental Study*. Refer to that report for information concerning individual rate case decisions that were rendered in 2002 and 2003.

The table on page 2 shows annual average equity returns authorized since 1994, and by quarter since 1998, in major electric, gas, and telecommunications rate decisions, followed by the number of determinations during each period. The tables on page 3 present the composite industry data for items in the chronology of this and earlier reports, summarized annually since 1994, and quarterly for the most recent six quarters. The individual electric, gas, and telecommunications cases decided in the first six months of 2004 are listed on pages 4 and 5, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. A case is generally considered "major" if the rate change initially requested was \$5 million or greater, or the authorized rate change was at least \$3 million. Gas rate requests that are considered in conjunction with major electric requests are recorded and reported as individual cases, regardless of size.

Average Equity Returns Authorized January 1994 - June 2004

(Return Percent - No. of Observations)

Period		Electric Utilities	Gas Utilities	Telephone Utilities
1994	Full Year	11.34 (31)	11.35 (28)	11.81 (11)
1995	Full Year	11.55 (33)	11.43 (16)	12.08 (8)
1996	Full Year	11.39 (22)	11.19 (20)	11.74 (4)
1997	Full Year	11.40 (11)	11.29 (13)	11.56 (5)
1998	1st Quarter	11.31 (4)	— (0)	11.30 (1)
	2nd Quarter	12.20 (1)	11.37 (3)	— (0)
	3rd Quarter	11.80 (2)	11.41 (3)	— (0)
	4th Quarter	11.83 (3)	11.69 (4)	— (0)
1998	Full Year	11.66 (10)	11.51 (10)	11.30 (1)
1999	1st Quarter	10.58 (4)	10.82 (3)	13.00 (1)
	2nd Quarter	10.94 (4)	10.82 (3)	— (0)
	3rd Quarter	10.63 (8)	— (0)	— (0)
	4th Quarter	11.08 (4)	10.33 (3)	— (0)
1999	Full Year	10.77 (20)	10.66 (9)	13.00 (1)
2000	1st Quarter	11.06 (5)	10.71 (1)	11.50 (1)
	2nd Quarter	11.11 (2)	11.08 (4)	— (0)
	3rd Quarter	11.68 (2)	11.33 (5)	11.25 (1)
	4th Quarter	12.08 (3)	12.50 (2)	— (0)
2000	Full Year	11.43 (12)	11.39 (12)	11.38 (2)
2001	1st Quarter	11.38 (2)	11.16 (4)	— (0)
	2nd Quarter	10.88 (2)	10.75 (1)	— (0)
	3rd Quarter	10.78 (8)	— (0)	— (0)
	4th Quarter	11.50 (8)	10.65 (2)	— (0)
2001	Full Year	11.09 (18)	10.95 (7)	— (0)
2002	1st Quarter	10.87 (5)	10.87 (3)	— (0)
	2nd Quarter	11.41 (8)	11.64 (4)	— (0)
	3rd Quarter	11.08 (4)	11.50 (3)	— (0)
	4th Quarter	11.20 (7)	10.78 (11)	— (0)
2002	Full Year	11.16 (22)	11.03 (21)	— (0)
2003	1st Quarter	11.47 (7)	11.38 (5)	— (0)
	2nd Quarter	11.16 (4)	11.36 (4)	— (0)
	3rd Quarter	9.95 (5)	10.81 (5)	— (0)
	4th Quarter	11.09 (8)	10.84 (11)	— (0)
2003	Full Year	10.97 (22)	10.99 (25)	— (0)
2004	1st Quarter	11.00 (3)	11.10 (4)	10.00 (1)
	2nd Quarter	10.40 (5)	10.50 (3)	— (0)
2004	Year-To-Date	10.63 (8)	10.84 (7)	10.00 (1)

Electric Utilities--Summary Table*

	Period	ROR %	ROE %	Eq. as % Cap. Struc.	Amt. \$ Mil.
1994	Full Year	9.29 (30)	11.34 (31)	45.15 (30)	1,118.9 (40)
1995	Full Year	9.44 (30)	11.55 (33)	45.90 (30)	455.7 (43)
1996	Full Year	9.21 (20)	11.39 (22)	44.34 (20)	-5.6 (38)
1997	Full Year	9.16 (12)	11.40 (11)	48.79 (11)	-553.3 (33)
1998	Full Year	9.44 (9)	11.86 (10)	46.14 (8)	-429.3 (31)
1999	Full Year	8.81 (18)	10.77 (20)	45.08 (17)	-1,683.8 (30)
2000	Full Year	9.20 (12)	11.43 (12)	48.85 (12)	-291.4 (34)
2001	Full Year	8.93 (15)	11.09 (18)	47.20 (13)	14.2 (21)
2002	Full Year	8.72 (20)	11.16 (22)	46.27 (19)	-475.4 (24)
2003	1st Quarter	9.07 (8)	11.47 (7)	49.94 (5)	48.2 (7)
	2nd Quarter	9.07 (4)	11.16 (4)	49.46 (4)	116.2 (5)
	3rd Quarter	8.22 (5)	9.95 (5)	46.09 (5)	69.6 (5)
	4th Quarter	9.07 (5)	11.09 (6)	52.17 (5)	210.4 (5)
2003	Full Year	8.86 (20)	10.97 (22)	49.41 (19)	444.4 (22)
2004	1st Quarter	8.94 (3)	11.00 (3)	44.94 (3)	-711.2 (5)
	2nd Quarter	7.64 (5)	10.40 (5)	45.27 (5)	627.0 (10)
2004	Year-To-Date	8.13 (8)	10.63 (8)	45.15 (8)	-84.2 (15)

Gas Utilities--Summary Table*

1994	Full Year	9.51 (32)	11.35 (28)	48.12 (27)	422.9 (42)
1995	Full Year	9.64 (16)	11.43 (18)	49.98 (15)	-61.5 (31)
1996	Full Year	9.25 (23)	11.19 (20)	47.69 (19)	193.4 (34)
1997	Full Year	9.13 (13)	11.29 (13)	47.78 (11)	-82.5 (21)
1998	Full Year	9.46 (10)	11.51 (10)	49.50 (10)	93.9 (20)
1999	Full Year	8.88 (9)	10.66 (9)	49.06 (9)	51.0 (14)
2000	Full Year	9.33 (13)	11.39 (12)	48.59 (12)	135.9 (20)
2001	Full Year	8.51 (6)	10.95 (7)	43.96 (5)	114.0 (11)
2002	Full Year	8.80 (20)	11.03 (21)	48.29 (18)	303.6 (28)
2003	1st Quarter	8.97 (4)	11.38 (5)	50.69 (4)	35.9 (8)
	2nd Quarter	9.09 (3)	11.38 (4)	50.32 (3)	14.2 (5)
	3rd Quarter	8.54 (4)	10.61 (5)	45.74 (4)	89.5 (6)
	4th Quarter	8.64 (11)	10.84 (11)	51.06 (11)	120.5 (13)
2003	Full Year	8.75 (22)	10.99 (25)	49.93 (22)	280.1 (30)
2004	1st Quarter	8.52 (4)	11.10 (4)	45.61 (4)	82.3 (7)
	2nd Quarter	8.24 (3)	10.50 (3)	46.98 (3)	95.9 (9)
2004	Year-To-Date	8.40 (7)	10.84 (7)	46.20 (7)	178.2 (16)

Telephone Utilities--Summary Table*

1994	Full Year	9.91 (12)	11.81 (11)	57.46 (11)	-236.6 (16)
1995	Full Year	9.81 (8)	12.08 (8)	55.02 (7)	-264.0 (14)
1996	Full Year	9.65 (2)	11.74 (4)	56.00 (2)	-348.2 (11)
1997	Full Year	9.57 (5)	11.56 (5)	55.84 (5)	-154.4 (7)
1998	Full Year	9.37 (1)	11.30 (1)	52.00 (1)	-323.3 (13)
1999	Full Year	11.34 (1)	13.00 (1)	66.90 (1)	-570.1 (19)
2000	Full Year	9.52 (2)	11.38 (2)	56.59 (2)	-390.4 (14)
2001	Full Year	9.61 (1)	— (0)	— (0)	-130.0 (8)
2002	Full Year	— (0)	— (0)	— (0)	7.7 (4)
2003	1st Quarter	— (0)	— (0)	— (0)	— (0)
	2nd Quarter	— (0)	— (0)	— (0)	-27.6 (1)
	3rd Quarter	— (0)	— (0)	— (0)	-35.0 (1)
	4th Quarter	— (0)	— (0)	— (0)	— (0)
2003	Full Year	— (0)	— (0)	— (0)	-82.6 (2)
2004	1st Quarter	8.02 (1)	10.00 (1)	44.18 (1)	3.1 (1)
	2nd Quarter	— (0)	— (0)	— (0)	— (0)
2004	Year-To-Date	8.02 (1)	10.00 (1)	44.18 (1)	3.1 (1)

* Number of observations each period indicated in parentheses.

ELECTRIC UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
1/13/04	Madison Gas and Electric (WI)	9.37 (G)	12.00	55.91	12/04-A	11.7
2/18/04	United Illuminating (CT)	---	---	---	---	5.2 (B)
2/28/04	Pacific Gas and Electric (CA)	---	---	---	---	-799.0 (B)
3/2/04	PacifiCorp (WY)	8.42	10.75	44.95	9/02-YE	22.9
3/26/04	Nevada Power (NV)	9.03	10.25	33.97	5/03-YE	48.0
2004	1ST QUARTER AVERAGES/TOTAL OBSERVATIONS	8.94 3	11.00 3	44.94 3		-711.2 5
4/13/04	Aquila-MPS (MO)	---	---	---	---	14.5 (B)
4/13/04	Aquila-L&P (MO)	---	---	---	---	3.3 (B)
5/5/04	Wisconsin Electric Power (WI)	---	---	---	12/04-A	59.0
5/18/04	PSI Energy (IN)	7.30	10.50	44.44 *	9/02-YE	107.3
5/20/04	Rochester Gas & Electric (NY)	---	---	---	---	7.4 (1)
5/25/04	Idaho Power (ID)	7.85	10.25	45.97	12/03-A	25.3
5/27/04	Pacific Gas & Electric (CA)	---	---	---	12/03-A	274.0 (B)
5/27/04	Sierra Pacific Power (NV)	9.26	10.25	35.77	7/03-YE	46.7 (B)
6/30/04	Kentucky Utilities (KY)	7.00 (G)	10.50	51.58	9/03-YE	46.1 (B,2)
6/30/04	Louisville Gas and Electric (KY)	6.79 (G)	10.50	48.60	9/03-YE	43.4 (B,3)
2004	2ND QUARTER AVERAGES/TOTAL OBSERVATIONS	7.64 5	10.40 5	45.27 5		627.0 10
2004	YEAR-TO-DATE AVERAGES/TOTAL OBSERVATIONS	8.13 8	10.63 8	45.15 8		-84.2 15

GAS UTILITY DECISIONS

1/13/04	AmerenUE (MO)	---	---	---	---	13.0 (B)
1/13/04	Madison Gas and Electric (WI)	9.37 (G)	12.00	55.91	12/04-A	1.0
1/13/04	Public Service Co. of New Mexico (NM)	8.16	10.25	47.77	9/02-YE	22.0 (B)
1/21/04	Aquila (NE)	---	---	---	---	6.2 (1,B)
2/9/04	City Gas Co. of Florida (FL)	7.36	11.25	36.77 *	9/04-A	6.7 (1)
2/19/04	Wisconsin Gas (WI)	---	---	---	12/04-A	26.0
3/16/04	Southwest Gas (CA)	9.17	10.90	42.00	12/03-A	7.4 (4)
2004	1ST QUARTER AVERAGES/TOTAL OBSERVATIONS	8.52 4	11.10 4	45.61 4		82.3 7
4/5/04	Interstate Power and Light (MN)	9.05	11.00	47.15	12/02-A	0.2 (1)
4/22/04	Aquila Networks-MPS (MO)	---	---	---	---	2.6 (B)
4/22/04	Aquila Networks-L&P (MO)	---	---	---	---	0.8 (B)
5/20/04	Rochester Gas & Electric (NY)	---	---	---	---	7.2 (1)
5/25/04	TXU-Gas (TX)	8.26	10.00	49.80	12/02-YE	12.0
5/27/04	Pacific Gas & Electric (CA)	---	---	---	12/03-A	52.0 (B)
6/28/04	Northwest Natural Gas (WA)	---	---	---	---	3.5 (B)
6/30/04	Southern Indiana Gas and Electric (IN)	7.41	10.50 (B)	44.00 *	9/03-YE	5.7 (B)
6/30/04	Louisville Gas and Electric (KY)	---	---	---	---	11.9 (B)
2004	2ND QUARTER AVERAGES/TOTAL OBSERVATIONS	8.24 3	10.50 3	46.68 3		95.9 9
2004	YEAR-TO-DATE AVERAGES/TOTAL OBSERVATIONS	8.40 7	10.84 7	46.20 7		178.2 16

TELEPHONE UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR %</u>	<u>ROE %</u>	<u>Common Eq. as % Cap. Str.</u>	<u>Test Year & Rate Base</u>	<u>Amt. \$ Mil.</u>
1/29/04	CenturyTel of North West Arkansas (AR)	8.02	10.00	44.18	6/02-YE	3.1 (B)
2004	1ST QUARTER AVERAGES/TOTAL OBSERVATIONS	8.02 1	10.00 1	44.18 1		3.1 1
2004	2ND QUARTER AVERAGES/TOTAL OBSERVATIONS	--- 0	--- 0	--- 0		--- 0
2004	YEAR-TO-DATE AVERAGES/TOTAL OBSERVATIONS	8.02 1	10.00 1	44.18 1		3.1 1

FOOTNOTES

A- Average

B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.

G- Return on capital

I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.

YE- Year-end

* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

(1) Electric increase represents implementation of a Retail Access Surcharge for recovery of retail access credits provided to customers who select an alternative generation supplier. Gas increase represents a gas Merchant Function Charge designed to recover indirect gas costs.

(2) Indicated rate case parameters support a \$49.8 million electric increase.

(3) Indicated rate case parameters support a \$45.6 million electric increase.

(4) Represents the combined increase authorized the company's southern California and northern California rate jurisdictions.

Dennis Spurduto